



Greater Giyani Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2016

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Legal form of entity

Local Municipality

### Audit Committee

Mayor

Speaker

Chief Whip

Cllr Hlungwani Mafemani Patrick  
Cllr Mathebula Sasavona Salva  
Cllr Bilankulu John Hlengani  
Cllr Ndaba Nkhensani Harmony Pretty  
Cllr Rikhotso Nzama Million  
Cllr Rikhotso Africa  
Cllr Maswanganyi Nkhensani Martha  
Cllr Manganyi Khazamula Abraham  
Cllr Chavalala Jabulani Thomas  
Cllr Shimange Mikateko Irene  
Cllr Mabunda Elisa Nkhensani  
Cllr Makamu Mafakhale Alpheus  
Cllr Mabasa Rhulani Oral

### Councillors

Cllr Baloyi Douglas Emmanuel  
Cllr Baloyi Hlengani Isaiah Cllr  
Baloyi Tintswalo Elizabeth Cllr  
Baloyi Watson  
Cllr Fuela Siza Hernus  
Cllr Gaveni Bridget  
Cllr Hlungwani Magezi David  
Cllr Khandhela Nomsa Rachel  
Cllr Khosa Beatrice Maria  
Cllr Kobane Gezani Eric  
Cllr Makhubela Masenyani Jackson  
Cllr Makhubele Benjamin Mkhonsane  
Cllr Makhubele Helani Harry  
Cllr Makhubele Mashangu Patricia  
Cllr Makhubele Massiah George  
Cllr Makhubele Ponani Petunia  
Cllr Makhubele Sophie  
Cllr Makhubele Tintswalo Annah  
Cllr Maluleke Gezani Abby  
Cllr Maluleke Tsakani Rosina  
Cllr Manganye Hlupheka Jonathan  
Cllr Manganyi Tintswalo Constance  
Cllr Maswanganye Mkhacani Samson  
Cllr Maswanganyi Soza Solly  
Cllr Maswanganyi Zama Rhuel  
Cllr Mathebula Masingita Johana  
Cllr Matukane Phepheyaphi Yvonne  
Cllr Mavasa Tintswalo Nelly  
Cllr Mhlongo Ntoroky Peggy  
Cllr Mkhari Petro Petrus  
Cllr Modjela C  
Cllr Moshwana Tsakani Joyce  
Cllr Mthombeni Africa Mauhayisi  
Cllr Mthombeni Mchacha William

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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	Cllr Ndlovu Mzamani James Cllr Ngobeni Arthur Mlunglisi Cllr Ngoveni Mbazima Elias Cllr Ntimana Hlayisani Beauty Cllr Rikhotso Mackson Qophani Cllr Sambo Mbazima Thomas Cllr Shivambu Hasani Richard Cllr Shiviti Morris Cllr Sithole Gezani Eddy Cllr Valoyi Xavelela Judith Cllr Vukeya Salvah Hlamalani Cllr Zitha Thandazo Christinah
<b>Audit Committee</b>	
Chairperson	Ngobeni S. A. B
Member	Hlomane H. G
Member	Chauke N. M
Member	Ramutsheli M. P
Member	Shilenge R. R
<b>Grading of local authority</b>	3
<b>Chief Finance Officer (CFO)</b>	R H Maluleke
<b>Accounting Officers</b>	M.C. Chaamano (Acting)
<b>Business address</b>	BA 59 Civic Centre Giyani CBD 0826
<b>Postal address</b>	Private Bag X9559 Giyani 0826
<b>Bankers</b>	ABSA Giyani Branch
<b>Auditors</b>	Auditor General South Africa (AGSA) Registered Auditors
<b>Website</b>	<a href="http://www.greatergiyani.gov.za">www.greatergiyani.gov.za</a>
<b>Enabling legislation</b>	The Division of Revenue Act of 2011 The Constitution of the Republic of South Africa The Municipal Finance Management Act 56 of 2003 The Municipal Systems Act of 2000

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
INEP	Integrated National Electrification Program
FMG	Finance Management Grant
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
LGSETA	Local Government Sector for Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Program
MDRG	Municipal Disaster Recovery Grant

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act 56 of 2003, to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion of the Financial Statements and are given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standard Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimate.

The Accounting Officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance of maintaining a strong control environment. To enable the accounting officer to meet these requirements, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegations of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current Financial Position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting Officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 19 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officer Bearers Act (Act no 20 on 1998) and the Minister of Provincial and Local Government.

The external Auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements. The Annual Financial Statements are examined by the Municipality's external Auditors and their report is presented to the council upon completion.

The Annual Financial Statements set out on pages 6 to 52, which have been prepared on the going concern basis, were approved on August 31 2016 and signed by:

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**M C CHAAMANO**  
**Accounting Officer**  
**Greater Giyani Municipality**

**31 August 2016**

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officers' Report

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The accounting officers submit their report for the year ended 30 June 2016.

### 1. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

### 2. Subsequent events

The outgoing council was by and large responsible for overseeing the financial transactions during the year and the production of the annual financial statements. Following the local government elections, new councillors were sworn into office on 16 August 2016. Accordingly these are the councillors responsible for the final annual financial statements, report on Performance Management and any significant resolutions and judgements made in connection with these reporting statements.

### 3. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Changes
R.H. Maluleke (Acting)	Resigned Monday, 31 August 2015
M.C. Chaamano (Acting)	Appointed Friday, 16 October 2015

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	1,519,040	1,453,720
Receivables from exchange transactions	6	10,113,241	6,888,383
Receivables from non-exchange transactions	7	23,799,280	17,161,568
VAT receivable	8	5,254,635	1,958,118
Consumer debtors	9	12,188,053	11,950,176
Cash and cash equivalents	10	180,005,001	150,309,048
		<b>232,879,250</b>	<b>189,721,013</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	524,131,955	449,848,012
Intangible assets		115,820	-
		<b>524,247,775</b>	<b>449,848,012</b>
<b>Total Assets</b>		<b>757,127,025</b>	<b>639,569,025</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	11	-	392,566
Payables from exchange transactions	15	58,014,435	48,762,113
Unspent conditional grants and receipts	12	4,472,278	2,086,416
Provisions	14	14,799,593	13,638,203
		<b>77,286,306</b>	<b>64,879,298</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	4	21,831,430	21,187,944
<b>Total Liabilities</b>		<b>99,117,736</b>	<b>86,067,242</b>
<b>Net Assets</b>		<b>658,009,289</b>	<b>553,501,783</b>
Accumulated surplus		658,009,289	553,501,783

\* See Note 36

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	4,236,874	4,014,825
Rental of facilities and equipment	18	880,289	840,254
Interest received (trading)		8,472,698	5,668,651
Agency services		285,432	244,525
Licences and permits		5,173,819	4,499,346
Other income	19	1,161,670	461,934
Interest received - investment	20	13,400,970	9,225,527
<b>Total revenue from exchange transactions</b>		<b>33,611,752</b>	<b>24,955,062</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Fines		92,765	91,418
Property rates	21	30,675,862	28,668,162
<b>Transfer revenue</b>			
Government grants and subsidies	22	332,041,913	257,148,385
<b>Total revenue from non-exchange transactions</b>		<b>362,810,540</b>	<b>285,907,965</b>
<b>Total revenue</b>	16	<b>396,422,292</b>	<b>310,863,027</b>
<b>Expenditure</b>			
Employee related costs	23	(108,057,434)	(94,758,720)
Remuneration of councillors	24	(18,273,962)	(16,477,045)
Depreciation and amortisation	25	(18,707,147)	(14,427,060)
Impairment loss/ Reversal of impairments	26	(1,654,573)	-
Finance costs		(57,409)	(517)
Lease rentals on operating lease	31	(1,156,006)	(997,187)
Debt Impairment	27	(7,245,980)	35,957,254
Repairs and maintenance		(25,776,516)	(9,736,326)
Contracted services	28	(301,210)	(213,876)
General Expenses	29	(111,597,558)	(67,524,941)
<b>Total expenditure</b>		<b>(292,827,795)</b>	<b>(168,178,418)</b>
<b>Operating surplus</b>		<b>103,594,497</b>	<b>142,684,609</b>
Gain on disposal of assets and liabilities		-	427,436
<b>Surplus for the year</b>		<b>103,594,497</b>	<b>143,112,045</b>

\* See Note 36



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2014</b>	<b>410,389,738</b>	<b>410,389,738</b>
Changes in net assets		
Surplus for the year	143,112,045	143,112,045
Total changes	143,112,045	143,112,045
<b>Restated* Balance at 01 July 2015</b>	<b>553,501,783</b>	<b>553,501,783</b>
Changes in net assets		
Prior year adjustments	913,009	913,009
Net income (losses) recognised directly in net assets	913,009	913,009
Surplus for the year	103,594,497	103,594,497
Total recognised income and expenses for the year	104,507,506	104,507,506
Total changes	104,507,506	104,507,506
<b>Balance at 30 June 2016</b>	<b>658,009,289</b>	<b>658,009,289</b>
Note(s)		

\* See Note 36

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		31,927,637	18,769,969
Sale of goods and services		9,458,682	11,737,497
Grants		330,623,901	256,589,000
Interest income		13,400,970	9,225,527
		<u>385,411,190</u>	<u>296,321,993</u>
<b>Payments</b>			
Employee costs		(125,687,910)	(108,240,038)
Suppliers		(128,482,895)	(65,301,220)
Finance costs		(57,409)	(517)
		<u>(254,228,214)</u>	<u>(173,541,775)</u>
<b>Net cash flows from operating activities</b>	32	<b>131,182,976</b>	<b>122,780,218</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(100,952,372)	(60,499,785)
Proceeds from sale of property, plant and equipment	3	-	1,776,608
Purchase of other intangible assets		(142,085)	-
<b>Net cash flows from investing activities</b>		<b>(101,094,457)</b>	<b>(58,723,177)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(392,566)	(391,605)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,695,953</b>	<b>63,665,436</b>
Cash and cash equivalents at the beginning of the year		150,309,048	86,643,612
<b>Cash and cash equivalents at the end of the year</b>	10	<b>180,005,001</b>	<b>150,309,048</b>

\* See Note 36

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	3,900,000	200,000	<b>4,100,000</b>	4,236,874	<b>136,874</b>	
Rental of facilities and equipment	825,970	(53,066)	<b>772,904</b>	880,289	<b>107,385</b>	A
Interest received (trading)	5,000,000	-	<b>5,000,000</b>	8,472,698	<b>3,472,698</b>	
Agency services	300,000	-	<b>300,000</b>	285,432	<b>(14,568)</b>	
Licences and permits	5,300,000	1,800,000	<b>7,100,000</b>	5,173,819	<b>(1,926,181)</b>	B
Other income - (rollup)	1,620,000	11,297,966	<b>12,917,966</b>	1,161,670	<b>(11,756,296)</b>	C
Interest received - investment	6,600,000	4,400,000	<b>11,000,000</b>	13,400,970	<b>2,400,970</b>	D
<b>Total revenue from exchange transactions</b>	<b>23,545,970</b>	<b>17,644,900</b>	<b>41,190,870</b>	<b>33,611,752</b>	<b>(7,579,118)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	35,000,000	(4,000,000)	<b>31,000,000</b>	30,675,862	<b>(324,138)</b>	
Fines	59,000	(13,000)	<b>46,000</b>	92,765	<b>46,765</b>	E
<b>Transfer revenue</b>						
Government grants and subsidies	315,177,000	21,512,907	<b>336,689,907</b>	332,041,913	<b>(4,647,994)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>350,236,000</b>	<b>17,499,907</b>	<b>367,735,907</b>	<b>362,810,540</b>	<b>(4,925,367)</b>	
<b>Total revenue</b>	<b>373,781,970</b>	<b>35,144,807</b>	<b>408,926,777</b>	<b>396,422,292</b>	<b>(12,504,485)</b>	
<b>Expenditure</b>						
Employee related costs	(107,908,104)	1,118,625	<b>(106,789,479)</b>	(108,057,434)	<b>(1,267,955)</b>	
Remuneration of councillors	(17,447,215)	(1,620,830)	<b>(19,068,045)</b>	(18,273,962)	<b>794,083</b>	
Depreciation and amortisation	(35,000,000)	5,000,000	<b>(30,000,000)</b>	(18,707,147)	<b>11,292,853</b>	
Impairment loss/ Reversal of impairments	-	-	-	(1,654,573)	<b>(1,654,573)</b>	
Finance costs	(500,000)	-	<b>(500,000)</b>	(57,409)	<b>442,591</b>	
Lease rentals on operating lease	(1,300,000)	-	<b>(1,300,000)</b>	(1,156,006)	<b>143,994</b>	
Bad debts written off	(20,000,000)	-	<b>(20,000,000)</b>	(7,245,980)	<b>12,754,020</b>	
Repairs and maintenance	(24,135,000)	(3,528,000)	<b>(27,663,000)</b>	(25,776,516)	<b>1,886,484</b>	
Contracted Services	(850,000)	-	<b>(850,000)</b>	(301,210)	<b>548,790</b>	F
General Expenses	(65,783,930)	(7,736,200)	<b>(73,520,130)</b>	(111,597,558)	<b>(38,077,428)</b>	G
<b>Total expenditure</b>	<b>(272,924,249)</b>	<b>(6,766,405)</b>	<b>(279,690,654)</b>	<b>(292,827,795)</b>	<b>(13,137,141)</b>	
<b>Surplus before taxation</b>	<b>100,857,721</b>	<b>28,378,402</b>	<b>129,236,123</b>	<b>103,594,497</b>	<b>(25,641,626)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>100,857,721</b>	<b>28,378,402</b>	<b>129,236,123</b>	<b>103,594,497</b>	<b>(25,641,626)</b>	

A - This income is dependent on customer need.

B - This income is driven by customer needs

C - Budget for other income also includes VAT returns and the actuals for VAT returns go to professional fees.

D - This is because of the two short term investments that municipality is having.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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### Figures in Rand

E - The municipality underbudgeted for traffic fines checking the trend of paying traffic fines by our customers. Some of the traffic fines are cancelled without the municipality's knowledge.

F - Insurance for assets was paid once during the financial year.

G - The actuals for project costs expensed was part of general expenses whereas the budget for those projects is under the capital budget.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	2,550,000	-	2,550,000	1,519,040	(1,030,960)	
Receivables from exchange transactions	745,365	-	745,365	10,113,241	9,367,876	
Receivables from non-exchange transactions	15,792,498	-	15,792,498	15,790,704	(1,794)	
VAT receivable	3,892,137	-	3,892,137	5,254,635	1,362,498	
Consumer debtors	34,763,000	-	34,763,000	20,196,629	(14,566,371)	
Cash and cash equivalents	48,960,000	-	48,960,000	180,005,001	131,045,001	
	<b>106,703,000</b>	<b>-</b>	<b>106,703,000</b>	<b>232,879,250</b>	<b>126,176,250</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	382,346,000	-	382,346,000	524,131,955	141,785,955	
Intangible assets	115,820	-	115,820	115,820	-	
	<b>382,461,820</b>	<b>-</b>	<b>382,461,820</b>	<b>524,247,775</b>	<b>141,785,955</b>	
<b>Total Assets</b>	<b>489,164,820</b>	<b>-</b>	<b>489,164,820</b>	<b>757,127,025</b>	<b>267,962,205</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	57,739,000	-	57,739,000	58,014,435	275,435	
Unspent conditional grants and receipts	-	-	-	4,472,278	4,472,278	
Provisions	-	-	-	14,799,593	14,799,593	
	<b>57,739,000</b>	<b>-</b>	<b>57,739,000</b>	<b>77,286,306</b>	<b>19,547,306</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	21,831,430	21,831,430	
<b>Total Liabilities</b>	<b>57,739,000</b>	<b>-</b>	<b>57,739,000</b>	<b>99,117,736</b>	<b>41,378,736</b>	
<b>Net Assets</b>	<b>431,425,820</b>	<b>-</b>	<b>431,425,820</b>	<b>658,009,289</b>	<b>226,583,469</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	431,425,820	-	431,425,820	658,009,290	226,583,470	

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxation	21,000,000	(2,400,000)	<b>18,600,000</b>	-	<b>(18,600,000)</b>	
Sale of goods and services	2,340,000	120,000	<b>2,460,000</b>	-	<b>(2,460,000)</b>	
Grants	315,177,000	21,512,907	<b>336,689,907</b>	-	<b>(336,689,907)</b>	
Interest income	11,600,000	4,400,000	<b>16,000,000</b>	-	<b>(16,000,000)</b>	
Other receipts	8,104,970	13,031,900	<b>21,136,870</b>	-	<b>(21,136,870)</b>	
	<b>358,221,970</b>	<b>36,664,807</b>	<b>394,886,777</b>	-	<b>(394,886,777)</b>	
<b>Payments</b>						
Suppliers	(217,424,249)	(11,766,550)	<b>(229,190,799)</b>	-	<b>229,190,799</b>	
Finance costs	(500,000)	-	<b>(500,000)</b>	-	<b>500,000</b>	
	<b>(217,924,249)</b>	<b>(11,766,550)</b>	<b>(229,690,799)</b>	-	<b>229,690,799</b>	
<b>Net cash flows from operating activities</b>	<b>140,297,721</b>	<b>24,898,257</b>	<b>165,195,978</b>	-	<b>(165,195,978)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(135,857,700)	(23,378,279)	<b>(159,235,979)</b>	-	<b>159,235,979</b>	
Net increase/(decrease) in cash and cash equivalents	4,440,021	1,519,978	<b>5,959,999</b>	-	<b>(5,959,999)</b>	
Cash and cash equivalents at the beginning of the year	150,053,921	-	<b>150,053,921</b>	-	<b>(150,053,921)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>154,493,942</b>	<b>1,519,978</b>	<b>156,013,920</b>	-	<b>(156,013,920)</b>	

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The cashflow statement has been prepared in accordance with the direct method.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

##### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 4.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Debtors impairment

The provision for impairment is measured with reference to historical data and payment trend analysis per group of consumers and/or category. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

#### Provisions

Provisions are recognized when the Municipality has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.3 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	3 - 20 years
Office equipment	Straight line	3 - 9 years
IT equipment	Straight line	3 - 9 years
Computer accessories	Straight line	3 - 9 years
Roads, pavements, bridges and storm water	Straight line	15 - 80 years
Community halls	Straight line	30 years
Security measures	Straight line	3 - 5 years
Office machines	Straight line	3 - 5 years
Other equipment	Straight line	5 - 15 years
Air conditioners	Straight line	5 - 8 years
Libraries	Straight line	30 years
Clinics	Straight line	30 years
Cemeteries	Straight line	30 years
Car parks, bus terminals and taxi ranks	Straight line	20 years
Park facilities	Straight line	30 years
Sports fields	Straight line	10 - 30 years
Street lighting	Straight line	20 - 25 years
Specialised vehicles	Straight line	15 years
Fire services	Straight line	5 - 15 years
Housing	Straight line	30 years
Other equipment	Straight line	5 - 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.4 Intangible assets (continued)

Item	Useful life
Computer software, other	3 - 5years

### 1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Investments in associates (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables (from non-exchange transactions)	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Investments in associates (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Investments in associates (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

#### Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories consisting of consumables stores, raw materials, work in progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

### 1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Impairment of cash-generating assets (continued)

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## Accounting Policies

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### 1.8 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

#### Short-term employee benefits

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Retirement benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Employee benefits (continued)

#### Other post retirement obligations

The municipality offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflect the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land). Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Service charges

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period which the meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

#### Interest

Interest is recognised on a time proportionate basis that takes into account the effective yield on the asset.

### 1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

#### Rates, including collection charges and penalties interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### Government grants, transfers and donations

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

When conditions are attached to a transferred asset, the municipality incurs a liability. The municipality has a present obligation to comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability

Restrictions on transferred assets arise when there is an expectation and/or understanding about the particular way that the assets will be used. However, there is no requirement that the transferred asset, or future economic benefits or service potential are to be returned to the transferor if the assets are not used as per the expectation or understanding. Thus, initially gaining control of an asset with restrictions does not impose a present obligation on the recipient and consequently no liability is recognised.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statement is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.19 Offsetting

Assets, liabilities, revenue and expenses are not offset.

### 1.20 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

# **Greater Giyani Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.21 Budget information (continued)**

The approved budget covers the fiscal period from 1/7/2015 to 30/6/2016.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### **1.22 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager as well as the Mayor and Councillors.

### **1.23 Value added tax**

The municipality accounts for Value Added Tax on the payments basis.

### **1.24 Conditional grants and receipts**

Revenue received from conditional grants, donations and fundign are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is raised.



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>• GRAP 18: Segment Reporting</li><li>• GRAP 20: Related parties</li><li>• GRAP 32: Service Concession Arrangements: Grantor</li><li>• GRAP 108: Statutory Receivables</li><li>• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li><li>• GRAP 16 (as amended 2015): Investment Property</li><li>• GRAP 17 (as amended 2015): Property, Plant and Equipment</li><li>• GRAP 109: Accounting by Principals and Agents</li><li>• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets</li><li>• GRAP 26 (as amended 2015): Impairment of cash-generating assets</li><li>• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities</li></ul>	<ul style="list-style-type: none"><li>01 April 2017</li><li>01 April 2017</li><li>01 April 2016</li><li>01 April 2016</li><li>01 April 2016</li><li>01 April 2016</li><li>01 April 2016</li><li>01 April 2017</li><li>01 April 2017</li><li>01 April 2017</li><li>01 April 2018</li></ul>	

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings - Municipal, Civic & Markets	164,024,055	(7,462,395)	156,561,660	137,683,412	(5,113,219)	132,570,193
Plant and machinery	16,240,480	(7,103,486)	9,136,994	16,074,652	(4,473,794)	11,600,858
Furniture and fixtures	3,151,062	(1,922,631)	1,228,431	2,982,392	(1,525,433)	1,456,959
Motor vehicles	4,892,488	(2,449,370)	2,443,118	4,892,488	(1,973,479)	2,919,009
Office equipment	1,107,964	(857,074)	250,890	(1,095,435)	(685,583)	(1,781,018)
IT equipment	4,265,883	(2,855,867)	1,410,016	3,612,443	(2,186,030)	1,426,413
Infrastructure	485,769,154	(189,209,107)	296,560,047	445,800,021	(178,945,594)	266,854,427
Land and Buildings - Community	65,300,626	(9,151,159)	56,149,467	40,156,076	(5,943,752)	34,212,324
Finance Lease Assets	1,121,335	(941,999)	179,336	1,121,335	(839,721)	281,614
Air Conditioners	710,136	(498,140)	211,996	710,136	(402,903)	307,233
<b>Total</b>	<b>746,583,183</b>	<b>(222,451,228)</b>	<b>524,131,955</b>	<b>651,937,520</b>	<b>(202,089,508)</b>	<b>449,848,012</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets Under Construction	Depreciation	Impairment loss	Total
Land and Buildings - Municipal, Civic & Markets	109,966,485	-	54,886,972	(2,349,175)	-	162,504,282
Plant and machinery	11,594,170	170,620	-	(2,629,693)	-	9,135,097
Furniture and fixtures	1,456,947	-	-	(397,198)	-	1,059,749
Motor vehicles	2,919,008	-	-	(475,892)	-	2,443,116
Office equipment	422,382	18,114	-	(171,491)	-	269,005
IT equipment	1,588,949	331,712	-	(669,837)	-	1,250,824
Road Infrastructure	195,350,987	75,985,394	34,772,737	(10,263,513)	-	295,845,605
Land and Buildings - Community	18,455,281	4,136,691	32,970,199	(1,526,570)	(1,654,573)	52,381,028
Finance lease assets	281,614	-	-	(102,278)	-	179,336
Air Conditioners	307,233	-	-	(95,237)	-	211,996
	<b>342,343,056</b>	<b>80,642,531</b>	<b>122,629,908</b>	<b>(18,680,884)</b>	<b>(1,654,573)</b>	<b>525,280,038</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Correction of error	Assets Under Construction	Depreciation	Total
Land and Buildings - Municipal Civic and Markets	50,287,027	3,164,095	-	57,557,368	28,546,329	(1,042,005)	138,512,814
Plant and machinery	8,470,903	4,816,185	(1,249,104)	1,363,859	-	(1,807,673)	11,594,170
Furniture and fixtures	1,040,587	439,809	-	230,837	-	(254,286)	1,456,947
Motor vehicles	4,570,607	-	(100,068)	(845,870)	-	(705,661)	2,919,008
Office equipment	446,822	67,706	-	57,417	-	(149,563)	422,382
IT equipment	1,454,009	358,533	-	388,170	-	(611,763)	1,588,949
Infrastructure	187,313,973	16,805,858	-	(456,863)	68,954,346	(8,311,982)	264,305,332
Land and Buildings - Community	15,438,511	-	-	4,133,440	9,782,732	(1,116,670)	28,238,013
Finance lease assets	655,392	-	-	-	-	(373,778)	281,614
Air Conditioners	341,942	-	-	45,396	-	(80,105)	307,233
	<b>270,019,773</b>	<b>25,652,186</b>	<b>(1,349,172)</b>	<b>62,473,754</b>	<b>107,283,407</b>	<b>(14,453,486)</b>	<b>449,626,462</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 3. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2016

	Included within Road Related Infrastructure	Included within Land & Buildings Municipal	Included within Sports & Recreation facilities	Total
Opening balance	68,954,346	28,546,329	9,782,732	107,283,407
Additions/capital expenditure	41,803,786	26,340,643	27,324,158	95,468,587
Transferred to completed items	(75,985,395)	-	(4,136,691)	(80,122,086)
	<b>34,772,737</b>	<b>54,886,972</b>	<b>32,970,199</b>	<b>122,629,908</b>

#### Reconciliation of Work-in-Progress 2015

	Included within Road Related Infrastructure	Included within Land & Buildings Municipal	Included within Sports & Recreation facilities	Total
Opening balance	62,084,169	30,624,278	4,404,336	97,112,783
Additions/capital expenditure	33,646,035	8,124,646	9,782,732	51,553,413
Other movements - correction of error	(13,234,140)	(7,038,500)	(4,404,336)	(24,676,976)
Transferred to completed items	(13,541,719)	(3,164,095)	-	(16,705,814)
	<b>68,954,345</b>	<b>28,546,329</b>	<b>9,782,732</b>	<b>107,283,406</b>

#### Land owned by the municipality

Included in Land and Buildings is an amount of R56 291 428 for land that belongs to the municipality. The breakdown of the land is as follows:

Land - Civic	54,174,215	54,174,215
Land - Community	822,900	822,900
Land - Recreation Facilities	1,294,313	1,294,313
	<b>56,291,428</b>	<b>56,291,428</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 4. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The post retirement healthcare liability represents the obligation of the municipality to meet the medical aid contributions of retired employees and their registered dependants. The amount of the liability is the present value of the obligation less the fair value of any plan assets held in respect of the post retirement medical scheme. There are however no plan assets. Arch Actuarial Consulting performed a valuation in respect of this liability on 30 June 2016. The valuation was done for the entire reporting period.

The valuation was done for all the employees attached to Greater Giyani Municipality. The portion relating to water and sewer employees was transferred to Mopani District Municipality at year end.

The following key assumptions were used at reporting date (15 August 2016):

#### Assumptions used at the reporting date

Discount rates	9.28%	9.25%
Health care cost inflation rate	8.34%	8.38%
Net effective discount rate	0.87%	0.80%

#### Long Service Awards

Long service awards consist of an obligation to pay out a bonus in the year of an employee attaining the required length of service. The obligation represents a liability of the employer and the value is represented by the present value of the total long service bonus awards expensed to become payable under the municipality's current policy.

The municipality offers long service bonuses for every five(5) years of continuous service completed, starting from ten(10) years to forty-five(45) years inclusive. The actuarial valuation of the long service awards accrued liability was carried out by Arch Actuarial Consulting.

The assumptions used in the valuation are as outlined below:

#### Assumptions used at the reporting date

Discount rate	8.48%	8.06%
General salary inflation (Long-term)	7.14%	7.12%
Net effective discount rate	1.25%	0.88%
Mortality rate	SA85-90	SA85-90

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	5,418,042	5,026,824	4,255,414	3,776,103	5,338,345
Surplus (deficit)	(5,418,042)	(5,026,824)	(4,255,414)	(3,776,103)	(5,338,345)

### 5. Inventories

Consumable stores	1,519,040	1,453,720
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# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>6. Receivables from exchange transactions</b>		
Agency fee (Mopani District Municipality)	2,355,116	2,069,684
Inter Municipal Acct(Mopani District Municipality)	7,797,323	4,745,585
Staff receivables	9,263	121,575
Sundry receivables	3,622,511	3,622,511
Sundry receivables -Provision	(3,670,972)	(3,670,972)
	<b>10,113,241</b>	<b>6,888,383</b>

### Agency fees

The Agency fee is 5% of the collection of water and sewer debt as per water service agreement with Mopani District Municipality.

### Inter Municipal Account - Mopani District Municipality

The water service function is ringfenced on the account of Mopani District Municipality which is the water service authority. The revenue earned, expenditure incurred and the transfers received with regard to water are posted to the inter-municipal control account. The net effect of all balances arising from the water service related transactions will either be an asset or liability in the books of the Municipality.

### Staff receivables

This relates to overpayments of salaries to councillors. The amount is being recovered monthly by way of stop orders. This is in line with a council resolution made by the Greater Giyani Municipal council.

### Sundry receivables

Sundry receivables relate to the net of gross sales and cash received on the sale of stands through an auction during 2009. The balance outstanding is paid into an attorneys trust account. The amount paid into the attorneys account to date is R1 191 992 and the auction commission fee is R414 919. The balance in the attorneys' trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality hence the full provision above in line with credit control policy.

The ageing of amounts past due but not impaired is as follows:

Gross sales	4,016,500	4,016,500
Cash received	(588,989)	(588,989)
Debtor for fraudulent bank transaction	195,000	195,000
	<b>3,622,511</b>	<b>3,622,511</b>

### 7. Receivables from non-exchange transactions

Gross Balance: Property Rates	37,000,108	30,473,880
Interest on Property Rates	19,579,226	13,074,168
	<b>56,579,334</b>	<b>43,548,048</b>
Less allowances for interest	(11,570,649)	(7,899,429)
Less allowances for impairment	(21,209,404)	(18,487,050)
<b>Total</b>	<b>23,799,280</b>	<b>17,161,568</b>

### 8. VAT receivable

VAT	5,254,635	1,958,118
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# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Consumer debtors</b>		
<b>Gross balances</b>		
Cemeteries	627,903	564,760
Housing rental	2,329,170	1,947,487
Interest on overdue accounts	8,680,147	6,795,479
Refuse	13,189,385	13,269,585
Debtors with credit balances	1,896,416	3,055,426
	<b>26,723,021</b>	<b>25,632,737</b>
<b>Less: Allowance for impairment</b>		
Cemeteries	(365,475)	(342,504)
Housing rental	(1,321,937)	(1,181,799)
Interest on overdue accounts	(5,129,668)	(4,105,838)
Refuse	(7,717,888)	(8,052,421)
	<b>(14,534,969)</b>	<b>(13,682,562)</b>
<b>Net balance</b>		
Cemeteries	262,428	222,256
Housing rental	1,007,233	765,688
Interest on overdue accounts	3,550,479	2,689,642
Refuse	5,471,497	5,217,164
Debtors with credit balances	1,896,416	3,055,426
	<b>12,188,053</b>	<b>11,950,176</b>
<b>Rates</b>		
Current (0 -30 days)	(28,628)	628,580
31 - 60 days	(1,657,025)	944,203
61 - 90 days	1,212,505	(8,519,633)
91 - 120 days	2,227,690	(1,573,188)
121 - 180 days	(349,919)	(16,988,154)
> 180 days	35,595,485	55,982,072
	<b>37,000,108</b>	<b>30,473,880</b>
<b>Refuse</b>		
Current (0 -30 days)	(35,111)	260,665
31 - 60 days	(291,335)	2,935
61 - 90 days	178,941	93,988
91 - 120 days	(202,929)	183,936
121 - 180 days	466,153	658,606
> 180 days	13,073,667	12,069,455
	<b>13,189,386</b>	<b>13,269,585</b>
<b>Interest on overdue accounts</b>		
Current (0 -30 days)	1,703,814	1,473,413
31 - 60 days	1,703,213	(5,644)
61 - 90 days	1,699,790	(52,701)
91 - 120 days	1,649,197	1,585,188
121 - 180 days	3,242,966	2,012,888
> 180 days	53,346,274	40,111,034
	<b>63,345,254</b>	<b>45,124,178</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Consumer debtors (continued)</b>		
<b>Housing rental</b>		
Current (0 -30 days)	6,485	29,108
31 - 60 days	37,682	32,244
61 - 90 days	37,482	35,344
91 - 120 days	30,952	30,250
121 - 180 days	72,635	244,408
> 180 days	2,143,932	1,576,133
	<b>2,329,168</b>	<b>1,947,487</b>
<b>Cemeteries</b>		
Current (0 -30 days)	(15,095)	6,340
31 - 60 days	9,034	8,496
61 - 90 days	11,261	9,357
91 - 120 days	5,898	8,390
121 - 180 days	12,396	75,236
> 180 days	604,409	456,592
	<b>627,903</b>	<b>564,411</b>
<b>Reconciliation of allowance for impairment of consumer debtors</b>		
Opening balance	49,621,835	85,579,089
Allowance for impairment	7,245,980	(35,957,254)
	<b>56,867,815</b>	<b>49,621,835</b>
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	91,173,577	67,380,628
Short-term deposits	88,831,424	82,928,420
	<b>180,005,001</b>	<b>150,309,048</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK - Current Account - 71032635579	257,258	242,570	229,335	260,777	245,024	231,423
ABSA BANK - Current Account - 4077078193	34,343,042	13,579,548	32,355,943	34,375,021	13,758,233	32,355,763
ABSA BANK - Current Account - 4077078486	224,231	226,748	3,141,648	127,542	79,414	3,141,236
ABSA BANK - Call Deposit - 4078155655	25,187,624	23,822,681	22,656,267	25,319,082	23,921,561	22,747,563
ABSA BANK - Call Deposit - 4078155744	31,189,150	29,498,978	28,054,640	31,351,932	29,621,419	28,167,627
Nedbank - Notice Account - 03/7881116218/000010	-	31,000,455	-	-	31,000,455	-
Nedbank - Notice Account - 03/7881116218/000008	-	51,682,941	-	55,352,499	51,682,941	-
Standard BANK - Notice Account - 068860166001	33,218,148	-	-	33,218,148	-	-
<b>Total</b>	<b>124,419,453</b>	<b>150,053,921</b>	<b>86,437,833</b>	<b>180,005,001</b>	<b>150,309,047</b>	<b>86,643,612</b>



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	449,912
	-	449,912
less: future finance charges	-	(57,408)
<b>Present value of minimum lease payments</b>	-	<b>392,504</b>

The municipality had a finance lease for computers from 1 April 2013 to 31 March 2016.

## 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	4,472,278	-
Municipal Systems Improvement Grant (MSIG)	-	539,200
Integrated National Electrification Program Grant (INEG)	-	34,309
Municipal Disaster Recovery Grant (MDRG)	-	1,512,907
	<b>4,472,278</b>	<b>2,086,416</b>

## Movement during the year

Balance at the beginning of the year	2,086,416	2,268,709
Additions during the year	113,029,775	85,419,481
Income recognition during the year	(110,070,404)	(83,333,065)
Rollover not approved	(573,509)	(2,268,709)
	<b>4,472,278</b>	<b>2,086,416</b>

## 13. Decommissioning, restoration and environmental rehabilitation funds

The municipality intends to embark on a project to close the existing illegal dumpsite and establish a Transfer Station. The project involves the decommissioning of the current illegal dumping site, converting it into a transfer station and then establishment of a new municipal landfill site. The total proposed project costs as per bill of quantities is R32,033,743 inclusive of the cost of establishing the new transfer station and the new landfill site. For the purposes of the provision we have computed the costs specific to the rehabilitation of the illegal dump site as we feel other expenditure for the Transfer Station and the New Land Fill Site will be capitalised and amortised over their useful lives. The provision amount for the costs of rehabilitation to be provided for as per GRAP 19 is R14,934,777

SECTION A: Preliminary and General	2,360,550	-
SECTION B: Site Clearance	2,261,800	-
SECTION D: Gabions and Pitching	468,315	-
SECTION E: Earthworks	6,172,630	-
	11,263,295	-
Share of contingencies	1,837,387	-
Sub total	13,100,682	-
VAT @ 14%	1,834,095	-
<b>Total Estimate Rehabilitation Costs</b>	<b>14,934,777</b>	<b>-</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015	
<b>14. Provisions</b>			
<b>Reconciliation of provisions - 2016</b>			
	Opening Balance	Additions	Total
Environmental rehabilitation	13,638,203	1,161,390	14,799,593
<b>Reconciliation of provisions - 2015</b>			
	Opening Balance	Additions	Total
Environmental rehabilitation	12,572,610	1,065,593	13,638,203
<b>Environmental rehabilitation provision</b>			
The obligation arose from the Municipality operating an illegal dumping site and the expected cost to the municipality is for rehabilitation of the site.			
The provision amount of R14,799,593(2015: R13,638,203) was determined from the bill of quantities computed by a quantity surveyor for the rehabilitation work to be done on the illegal landfill site. There is no uncertainty with regards to this provision as a contract for the works to be done has been signed based on the bill of quantities. Management expects the rehabilitation work to be finalised in the ensuing year.			
<b>15. Payables from exchange transactions</b>			
Trade payables	40,937,211	35,773,112	
Other payables	33,963	714,998	
Accrued leave pay	13,723,047	10,501,881	
Accrued bonus	2,618,357	1,345,714	
Payroll creditors	148,638	176,014	
Unspecified direct deposits	553,219	250,394	
	<b>58,014,435</b>	<b>48,762,113</b>	
<b>Inter Municipal Account - Mopani District Municipality</b>			
Gross revenue - Water	84,108,560	72,220,808	
Gross revenue - Sewerage	15,716,311	13,150,133	
Gross revenue - Interest	30,556,449	20,037,119	
Overheads - Water	(121,167,275)	(97,590,327)	
Overheads - Sewerage	(12,438,400)	(10,710,596)	
Water debtors exGGM - Water	(55,305,919)	(46,163,799)	
Water debtors exGGM - Sewerage	(10,682,952)	(8,782,394)	
Water debtors exGGM - Interest	(35,085,880)	(24,524,362)	
Trade creditors	14,500	610,960	
Inventory	(996,429)	(1,145,914)	
Accrued leave	617,245	560,877	
Accrued bonus	115,860	105,335	
Long service award	485,072	392,261	
Post retirement medical contribution debts	1,090,111	908,171	
Provision for doubtful debts	95,175,424	76,094,125	
	<b>(7,797,323)</b>	<b>(4,837,603)</b>	

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>16. Revenue</b>		
Service charges	4,236,874	4,014,825
Rental of facilities and equipment	880,289	840,254
Interest received (trading)	8,472,698	5,668,651
Agency services	285,432	244,525
Licences and permits	5,173,819	4,499,346
Other income - (rollup)	1,161,670	461,934
Interest received - investment	13,400,970	9,225,527
Property rates	30,675,862	28,668,162
Fines	92,765	91,418
Government grants and subsidies	332,041,913	257,148,385
	<b>396,422,292</b>	<b>310,863,027</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	4,236,874	4,014,825
Rental of facilities and equipment	880,289	840,254
Interest received (trading)	8,472,698	5,668,651
Agency services	285,432	244,525
Licences and permits	5,173,819	4,499,346
Other income - (rollup)	1,161,670	461,934
Interest received - investment	13,400,970	9,225,527
	<b>33,611,752</b>	<b>24,955,062</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	30,675,862	28,668,162
Fines	92,765	91,418
<b>Transfer revenue</b>		
Government grants and subsidies	332,041,913	257,148,385
	<b>362,810,540</b>	<b>285,907,965</b>
<b>17. Service charges</b>		
Solid waste	4,236,874	4,014,825
<b>18. Rental of facilities and equipment</b>		
<b>Premises</b>		
House rental	498,030	487,654
Community halls	150,331	164,961
	<b>648,361</b>	<b>652,615</b>
<b>Facilities and equipment</b>		
Other rentals	231,928	187,639
	<b>880,289</b>	<b>840,254</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>19. Other income</b>		
Traffic Escort fees	12,297	16,052
Sale of sites	16,456	46,754
Confirmation letters	407,303	324,507
Tender document sales	285,641	455,055
Clearance certificates	13,028	10,899
Sale of grave plots	53,902	77,865
Housing loans	9,741	8,991
Sale of refuse bins	2,228	8,379
Sundry income	-	9,531
VAT Returns	-	(905,817)
Registration and transfer	89,999	87,725
Building plan approval	89,847	111,384
Re-issue of statements	7,514	10,531
Sundry income	173,714	200,078
	<b>1,161,670</b>	<b>461,934</b>
<b>20. Investment revenue</b>		
<b>Interest revenue</b>		
Other financial assets	9,031,038	5,324,788
Bank	4,369,932	3,900,739
	<b>13,400,970</b>	<b>9,225,527</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>21. Property rates</b>		
<b>Rates billed</b>		
Municipal Rates	30,675,862	28,668,162
<b>Valuations</b>		
Business		252,340,307
Government		203,350,902
Institute		163,803,300
Church		15,546,750
Public Open Space		20,866,800
Residential		1,512,826,635
Sport Centre		870,000
Industrial		32,527,548
Agricultural		300,000
Nature Reserve		19,350,000
		<b>2,221,782,242</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2018.

The Municipality performed a general valuation roll effective 1/07/2013 to 30/06/2017. No Property rates reconciliations were performed for years ended 30/6/2013 and 30/06/2015. The Municipality has in the current year performed Property rates reconciliations as required in the maintenance of an effective system of internal control. From the reconciliations performed errors were identified and as such GRAP 3 Paragraph 44 requires "that an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery.

According to Property rates regulations errors resulting in the over or under billing of rates cannot be correct retrospectively. The errors in Property rates reconciliations for 2013/2014 (R 730 655.75) and 2014/2015 (R 1 088 150.48) performed resulted in a cumulative effect of (R 1 818 805.48). Property rates regulations do not provide for a retrospective adjustment of rates for under or over billings that resulted in a prior period. The Municipality did not adjust its Property rates of the above stated amount in the accounting records in compliance with Property rates regulations. The cumulative errors are only shown to ensure that the financial statements are fairly presented.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	221,971,509	171,547,000
Municipal Systems Improvement Grant (MSIG)	930,000	394,800
Expanded Public Works Program (EPWP)	1,581,000	1,480,000
Finance Management Grant (FMG)	1,675,000	1,600,001
LGSETA	183,775	377,481
	<b>226,341,284</b>	<b>175,399,282</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	74,187,722	68,314,319
Integrated National Electrification Program (INEP)	10,000,000	9,965,691
Municipal Disaster Recovery Grant (MDRG)	21,512,907	3,469,093
	<b>105,700,629</b>	<b>81,749,103</b>
	<b>332,041,913</b>	<b>257,148,385</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	2,268,709
Current-year receipts	78,660,000	66,046,000
Conditions met - transferred to revenue	(74,187,722)	(66,046,000)
Rollover not approved	-	(2,268,709)
	<b>4,472,278</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	539,200	-
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(394,800)
Rollover not approved	(539,200)	-
	<b>-</b>	<b>539,200</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Integrated National Electrification Program (INEP)</b>		
Balance unspent at beginning of year	34,309	-
Current-year receipts	10,000,000	10,000,000
Conditions met - transferred to revenue	(10,000,000)	(9,965,691)
Rollover not approved	(34,309)	-
	<b>-</b>	<b>34,309</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Expanded Public Works Program (EPWP)</b>		
Current-year receipts	1,581,000	1,480,000
Conditions met - transferred to revenue	(1,581,000)	(1,480,000)

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>22. Government grants and subsidies (continued)</b>		
	-	-
<b>Finance Management Grant (FMG)</b>		
Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,675,000)	(1,600,000)
	-	-
<b>Municipal Disaster Recovery Grant (MDRG)</b>		
Balance unspent at beginning of year	1,512,907	-
Current-year receipts	20,000,000	4,982,000
Conditions met - transferred to revenue	(21,512,907)	(3,469,093)
	-	<b>1,512,907</b>

Conditions still to be met - remain liabilities (see note 12).

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>23. Employee related costs</b>		
Acting allowances	281,427	243,224
Back Pay	1,442,517	1,477,399
Basic	60,622,743	56,094,778
Bonus	6,493,274	4,077,963
Car allowance	7,908,749	6,337,334
Cellphone Allowance	-	13,555
Clothing Allowance	15,000	7,500
Defined contribution plans	14,627,541	16,188,224
Housing benefits and allowances	275,125	206,020
Leave pay provision charge	3,871,501	(165,214)
Long-service awards	2,673,637	1,358,863
Medical aid - company contributions	2,838,127	2,335,060
Overtime payments	3,748,836	3,466,957
SALGA Levy	33,125	29,780
SDL	999,976	861,473
Standby Allowance	313,784	227,059
UIF	596,728	542,389
WCA	1,315,344	1,456,356
	<b>108,057,434</b>	<b>94,758,720</b>

### Remuneration of Chief Finance Officer: R H Maluleke

Annual Remuneration	703,558	599,947
Car Allowance	288,000	288,000
Contributions to UIF, Medical and Pension Funds	51,191	47,181
Acting Allowance	5,262	5,262
	<b>1,048,011</b>	<b>940,390</b>

The CFO was acting Municipal Manager for 2 months during the year from 1 July 2015 to 31 August 2015.

### Remuneration of acting CFO: M A Mothapo

Annual Remuneration	71,176	427,055
Car Allowance	22,297	133,779
Performance Bonuses	15,866	35,588
Contributions to UIF, Medical and Pension Funds	19,908	110,458
Leave Pay	65,801	-
Acting Allowance	17,414	23,299
Overtime	-	26,387
	<b>212,462</b>	<b>756,566</b>

M A Mothapo was acting CFO during the first 2 months of the year from 1 July 2015 to 31 August 2015 when R H Maluleke was acting Municipal Manager.

### Remuneration of director - Strategic Planning: NS Hoesane

Annual Remuneration	232,282	603,667
Car Allowance	51,938	155,813
Contributions to UIF, Medical and Pension Funds	744	1,785
Leave Pay	134,371	-
Acting Allowance	-	68,493
Back Pay	-	13,699
	<b>419,335</b>	<b>843,457</b>



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>23. Employee related costs (continued)</b>		
<b>Remuneration of Director - Corporate Services: N S Simango</b>		
Annual Remuneration	592,951	547,948
Car Allowance	176,915	174,556
Contributions to UIF, Medical and Pension Funds	171,852	157,804
	<b>941,718</b>	<b>880,308</b>
<b>Remuneration of Director - Technical Services: P M Mathebula</b>		
Annual Remuneration	609,105	515,250
Car Allowance	328,000	328,000
Contributions to UIF, Medical and Pension Funds	10,500	9,608
	<b>947,605</b>	<b>852,858</b>
<b>Remuneration of Director - Acting Director - Strategic Planning &amp; LED: N J Nkuna</b>		
Annual Remuneration	415,850	-
Car Allowance	159,378	-
Performance Bonuses	34,803	-
Contributions to UIF, Medical and Pension Funds	98,892	-
Acting Allowance	67,043	-
	<b>775,966</b>	<b>-</b>
<b>Remuneration of Acting Director - Community: S N Mavundza</b>		
Annual Remuneration	413,085	390,316
Car Allowance	158,793	131,836
Performance Bonuses	34,803	32,526
Contributions to UIF, Medical and Pension Funds	108,537	98,968
Housing Assistance	8,090	6,402
Acting Allowance	14,603	43,808
	<b>737,911</b>	<b>703,856</b>
<b>Remuneration of Acting Director - Community: M I Khosa</b>		
Annual Remuneration	418,511	-
Car Allowance	158,793	-
Performance Bonuses	34,803	-
Contributions to UIF, Medical and Pension Funds	118,076	-
Housing Assistance	8,090	-
Acting Allowance	67,041	-
	<b>805,314</b>	<b>-</b>
<b>24. Remuneration of councillors</b>		
Mayor	782,480	809,069
Speaker	630,878	652,082
Councillors	13,049,855	13,034,969
EXCO Members	3,810,750	4,077,258
	<b>18,273,963</b>	<b>18,573,378</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	18,680,884	14,427,060
Intangible assets	26,265	-
	<b>18,707,149</b>	<b>14,427,060</b>
<b>26. Impairment of assets</b>		
<b>Impairment</b>		
Property, plant and equipment	1,654,573	-
An impairment loss of R1,654,573 in respect of Sports facilities was recognized in 2016 because the sports facilities were in a state of disrepair. The impairment loss was determined based on the difference between the asset's carrying amount and the recoverable amount.		
The following Sport facilities were impaired:		
Muyexe Sports Centre	1 392 956	
Cyril Ramaphosa Sports Centre	217 530	
Dingani Peter Rikhotso Sports Centre	20 282	
Walter Sisulu Sports Centre	23 805	
<b>27. Debt impairment</b>		
Debt impairment	7,245,980	(35,957,254)
<b>28. Contracted services</b>		
Insurance Contracts	301,210	213,876

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>29. General expenses</b>		
Advertising	337,423	502,076
Audit committee fees	490,887	299,187
Auditors remuneration	3,087,760	2,887,753
Bank charges	248,906	430,059
Bursaries	298,089	136,079
Catering	284,338	255,590
Community development and training	16,476,912	14,403,366
Consulting and professional fees	18,868,784	13,263,319
Consumables	994,140	580,996
Donations	-	55,000
Electricity	1,696,692	1,188,060
Entertainment	-	38,213
Provision for landfill site rehabilitation	1,161,390	1,065,593
Free Basic Services	8,261,597	7,844,904
IT expenses	671,324	468,107
Magazines, books and periodicals	5,568	34,225
Medical expenses	190,799	6,566
Motor vehicle expenses	1,933,348	2,362,823
Other expenses	11,295	-
Postage and courier	103,189	73,798
Printing and stationery	1,655,078	772,259
Project maintenance costs	43,450,737	10,875,075
Subscriptions and membership fees	1,404,763	1,943,351
Telephone and fax	1,318,345	1,568,193
Training	1,042,074	1,081,922
Travel - local	6,637,780	5,301,893
Uniforms	966,340	86,534
	<b>111,597,558</b>	<b>67,524,941</b>

### 30. Auditors' remuneration

Fees	3,087,760	2,887,753
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### 31. Operating lease

The municipality leases office space from the Limpopo Development Agency. The lease terms are as follows:

- The lease term is for a period of 3 years commencing on 1 September 2013 with an option of renewal.
- The rental amount from the commencement date is R45341.76 with an escalation percentage of 10% annually.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>32. Cash generated from operations</b>		
Surplus	103,594,497	143,112,045
<b>Adjustments for:</b>		
Depreciation and amortisation	18,707,147	14,427,060
Loss on sale of assets and liabilities	-	(427,436)
Impairment deficit	1,654,573	-
Debt impairment	7,245,980	(35,957,254)
Movements in retirement benefit assets and liabilities	643,486	4,708,814
Movements in provisions	1,161,390	1,065,593
<b>Changes in working capital:</b>		
Inventories	(65,320)	(959,552)
Receivables from exchange transactions	(3,224,858)	(3,398,961)
Consumer debtors	(3,071,715)	(17,124,914)
Other receivables from non-exchange transactions	(3,803,874)	(9,989,611)
Payables from exchange transactions	9,252,325	8,446,151
VAT	(3,296,517)	19,060,186
Unspent conditional grants and receipts	2,385,862	(181,903)
	<b>131,182,976</b>	<b>122,780,218</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Formalisation of new settlement	-	51,163
• Nkomo B upgrading from gravel to tar	11,834,048	455,529
• Section E sports centre	996,516	21,367,925
• Electrification of Gandlani village	-	228,363
• Electrification of Bambeni village	4,610,908	229,898
• Electrification of Mninginisi block 3 village	7,145,136	294,331
• 30 Highmast lights in crime prone areas	-	7,128,569
• Development of electricity master plan	-	154,800
• Refurbishment of giyani street lights	-	508,700
• Thomo Community Hall	13,409,423	179,085
• Electrification of phikela and Dingamazi	-	1,901,699
• Electrification of Mbaula	-	4,547,953
• Electrification of Mphagani and Nsavulani	-	777,294
• Electrification of Shikhumba	-	4,232,779
• Nkomo A upgrading from gravel to tar	4,365,049	-
• Electrification of Gandlanani Silawa	2,316,063	-
• 51 High mast lights in crime prone areas	668,610	-
• Homu 14B to 14A upgrading from grading to tar	2,329,596	-
• Civic centre offices phase 2	15,607,779	-
• Culvert bridges to cemeteries	1,591,662	-
• Mageva sports centre	19,274,194	-
• Bode paving of internal streets	892,052	-
• Makosha upgrading from gravel to tar	2,245,612	-
• Ndhambi taxi rank	1,134,052	-
• Refurbishment of giyani arts and culture centre	530,136	-
• Upgrading of parking lot	5,350,506	-
	<b>94,301,342</b>	<b>42,058,088</b>
<b>Not yet contracted for and authorised by accounting officers</b>		
• Waste disposal site development	-	2,728,606
• Homu 14 B to 14 A upgrading from gravel to tar	-	3,390,679
• Civic Centre offices phase 2	-	2,708,030
• Culvert bridges to cemeteries	-	2,396,166
• Mageva sports centre	-	20,717,238
• Bode paving of internal streets	-	1,921,232
• Makosha upgrading from Gravel to tar	-	3,801,906
• Ndhambi taxi rank	-	1,424,936
• Refurbishment of Giyani arts and culture	-	955,894
• Upgrading of Parking Lot	-	6,840,000
• Mbaula upgrading from gravel to tar	27,963,898	-
	<b>27,963,898</b>	<b>46,884,687</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	94,301,342	42,058,088
Not yet contracted for and authorised by accounting officers	27,963,898	46,884,687
	<b>122,265,240</b>	<b>88,942,775</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Movable and immovable infrastructure assets verification	133,040	-
• Financial support system	91,200	-
	<b>224,240</b>	<b>-</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Commitments (continued)</b>		
<b>Not yet contracted for and authorised by accounting officers</b>		
• Debtors Data Cleansing	-	795,104
<b>Total operational commitments</b>		
Already contracted for but not provided for	224,240	-
Not yet contracted for and authorised by accounting officers	-	795,104
	<b>224,240</b>	<b>795,104</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	122,265,240	88,942,775
Authorised operational expenditure	224,240	795,104
	<b>122,489,480</b>	<b>89,737,879</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand				2016	2015
<b>34. Contingencies</b>					
The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of claims referred above:					
Case Description	Date Started	Case Number	Legal Representative	2016 Potential Liability	2015 Potential Liability
Greater Giyani Municipality (GGM) VS T.T. Ngobeni. Matter is concerning extension of a structure ast market stall without Municipal approval.	07/2010	880/10	Chabalala Mthombeni Attorneys	-	45,000
GGM VS R. Nkonyane. The matter is concerning structure as an illegal extension of a market stall	07/2010	881/10	Chabalala Mthombeni Attorneys	-	45,000
GGM VS Maselesele. Land claim within the CBD	06/2008	2254/08	Joubert and May Attorneys	-	3,000,000
Hlohlori Developments VS GGM. Municipality is being sued for transfer of site.	09/2013	356/2013	NAM-FORD Inc.	-	-
GGM VS M.M. Thembe. The Municipality is evicting M.M. Thembe who is currently occupying the municipal land without the consent of the municipality.	08/2014		T.M. Chauke Attorneys	-	-
GGM VS Nkuna Blaza. Illegal extension of market stalls.	02/2015		Baloyi Shirindza Attorneys	45,000	-
Makamu Mamayila VS GGM. The claimant is suing the Municipality for the amount of R300 000 for falling on an unclosed drain for the municipality.	06/2015		Baloyi Shirindza Attorneys	97,000	-
Nhlovo Sithole VS GGM. The claimant sued the municipality the amount of R400 000 for the injury sustained at the municipal park.	05/2015		M.C. Baloyi Attorneys	150,000	-
Gezani Isaac Masingi VS Greater Giyani Municipality		2679/16	M.C. Baloyi Attorneys	100,000	-
GGMUN VS Kalusi Makamu			Modjadji - Raphesu	-	65,000
GGM VS Kalusi Makamu and 10 unknown illegal occupiers at section E 65 next to 497.					
GGM VS Fickson Hlungwani			Mushwana Incorporated	-	100,000
Operation of carwash in the municipal area without the municipality's consent.					
Knowledge Ngobeni VS GGM Plaintiff			Modjadji - Raphesu	-	145,000
Knowledge Ngobeni VS GGM Plaintiff issued summons against the Municipality for an amount of R900 000 for structure sdemolished at site 1947 and 1948F					
Telkom SA VS Greater Giyani Municipality			Matter withdrawn	-	27,000
Telkom sued the municipality the amount of R27 000 for damages suffered.					
				<b>392,000</b>	<b>3,427,000</b>

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 35. Related parties

Relationships

Accounting Officer

Members of key management

M C Chaamano

R H Maluleke - Chief Financial Officer

P Mathebula - Director Technical Services

S N Mavundza - Acting Director Community Services

N S Simango - Director Corporate Services

M A Mothapo - Acting Chief Financial Officer

N J Nkuna - Acting Director Planning & Development

M I Khosa - Acting Director Community Services

NS Hoaeane - Director Strategic Planning

The salaries and benefits of all the section 56/57 Managers are treated as related party transactions due to the nature of their work and responsibilities. Refer to note 23 for remuneration details of section 57 managers.

The salaries and benefits of municipal councillors are treated as related party transactions due to the nature of their work and responsibilities. Refer to note 24 for details of remuneration during the year.

### Related party balances

#### Amounts included in Trade receivable (Trade Payable) regarding related parties

Mopani District Municipality - Net effect of all balances arising from the water service related transactions	7,797,323	4,837,603
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### Related party transactions

#### Agency fees received from related parties

Mopani District Municipality	285,433	244,525
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Greater Giyani Local Municipality signed a service level agreement with Mopani District Municipality for provision of water and sewerage services on their behalf. Under this agreement Greater Giyani Local Municipality earns an agency fee of 5% of all collections on water and sewer transactions. The collections net of agency fees, expenses incurred in providing the service, receivables and liabilities arising from the service rendered are transferred to Mopani District Municipality.

### 36. Prior period errors

The correction of the error(s) results in adjustments as shown in the note below:



# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Prior period errors (continued)

#### Statement of financial position

##### Current Assets

<b>Previously reported</b>	<b>189,848,050</b>	<b>106,652,681</b>
<b>Reclassifications</b>	<b>-</b>	<b>-</b>
Trade and other receivables	(6,980,402)	(14,028,261)
Consumer debtors	17,124,913	14,028,261
Receivables from non-exchange transactions	5,503	-
Receivables from exchange transactions	(10,150,014)	-
<b>Adjustments</b>	<b>(127,037)</b>	<b>-</b>
Inventories	17,100	-
Cash and cash equivalents	(144,137)	-
<b>Restated amount</b>	<b>189,721,013</b>	<b>106,652,681</b>

##### Non-Current Assets

<b>Previously reported</b>	<b>412,961,499</b>	<b>338,903,022</b>
IT equipment - Cost	651,286	-
IT equipment - Accumulated depreciation	(158,071)	-
Furniture & Fittings - Cost	(2,804,019)	-
Furniture & Fittings - Accumulated depreciation	1,308,313	-
Motor vehicles - Cost	1,841,877	-
Motor vehicles - Accumulated depreciation	(682,657)	-
Office equipment - Cost	136,715	-
Office equipment - Accumulated depreciation	(358,897)	-
Plant & machinery - Cost	174,139	-
Plant & machinery - Accumulated depreciation	(108,686)	-
<b>Adjustments</b>	<b>36,940,624</b>	<b>-</b>
Infrastructure - Cost	(10,923,662)	-
Land & buildings - Cost	50,075,100	-
Land & buildings - Accumulated depreciation	(1,179,113)	-
Roads - Accumulated depreciation	(456,863)	-
Recreational facilities - Accumulated depreciation	(270,897)	-
Furniture & fittings - Cost	230,835	-
IT equipment - Cost	388,170	-
Motor vehicles - Cost	(1,576,878)	-
Motor vehicles - Accumulated depreciation	550,002	-
Office equipment - Cost	57,416	-
Plant & machinery - Cost	1,119	-
Air conditioners - Cost	45,395	-
<b>Restated amount</b>	<b>449,902,123</b>	<b>338,903,022</b>

The net effect of adjustments to current assets was a reduction by R127,037. This was made up of R144,138 reduction in cash and bank due to the bank reconciliation clearing adjustments posted in the prior year. Inventory was also adjusted upwards with R17,100. There were reclassifications within Current Assets based on a need to fairly report them within either Receivables from non - exchange , Receivables from exchange transactions and Consumer debtors.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

#### 36. Prior period errors (continued)

There were reclassifications within assets to ensure that assets previously reported as Furniture and Fittings were correctly classified, the accumulated depreciation amounts on these assets were reclassified accordingly. Additions for office equipment, IT equipment and Furniture & Fittings for the 2015 financial year had been erroneously included in general expenses. These were reclassified and included in assets correctly in the current reporting period. There was capitalisation of assets not previously capitalised in 2015 and derecognition of assets found not to belong to the municipality. The total of these adjustments to assets was R36,940,624

#### Statement of Financial Performance

##### Revenue

<b>Previously reported</b>	<b>312,021,322</b>	<b>266,352,058</b>
<b>Reclassifications</b>	<b>1,023,312</b>	<b>-</b>
Service charges	61,655	-
Rental of facilities and equipment	124	-
Other income	(1,085,101)	-
Interest received - trading	(9,225,527)	(5,784,132)
Interest received - investments	9,225,927	5,784,132
<b>Adjustments</b>	<b>(134,983)</b>	<b>-</b>
Interest received - trading	(129,159)	-
Other income	(5,824)	-
<b>Restated amount</b>	<b>310,863,027</b>	<b>266,352,058</b>

##### Expenditure

<b>Previously reported</b>	<b>165,296,473</b>	<b>209,973,201</b>
<b>Reclassifications</b>	<b>2,078,929</b>	<b>-</b>
Employee related costs	(991,544)	-
Remuneration of councillors	(2,096,284)	-
Finance costs	(222,525)	-
Lease rentals on operating lease	606,432	542,121
Repairs & maintenance	1,847,822	-
General expenses	2,935,028	(542,121)
<b>Adjustments</b>	<b>387,904</b>	<b>-</b>
Employee related costs	395,147	-
General expenses	(7,243)	-
<b>Restated amount</b>	<b>167,763,306</b>	<b>209,973,201</b>

There was reclassification of interest earned from interest received so as to present it separately on the Annual Financial Statements. Some accounts previously mapped to other income were mapped to expenditure as they are expense items. Adjustments were also made to interest received - trading as a result of bank reconciliation clearing adjustments.

There were reclassifications between expense items to ensure true and fair reporting. Asset additions which had been erroneously included in general expenses were also reclassified to property, plant and equipment. Adjustments were also made for the post employment benefits and to bank charges due to bank reconciliation clearing adjustments.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

#### 36. Prior period errors (continued)

##### Cash flow statement

##### Cash flow from operating activities

Previously reported	-	152,173,621
Adjustments	-	(29,393,403)
	-	<b>122,780,218</b>

##### Cash flow from investing activities

Previously reported	-	(85,769,041)
Adjustments	-	27,045,864
	-	<b>(58,723,177)</b>

##### Cash and cash equivalents at end of year

Previously reported	-	152,656,587
Correction of misstated cash position	-	(2,347,539)
	-	<b>150,309,048</b>

The Municipality included transfers from WIP for completed projects in the calculation of operating activities on the cash flow in the prior year amounting to ZAR 27 145 864. The error has been corrected through the reclassification of that amount from investing activities to operating activities on the cash flow.

The closing balance for cash and cash equivalent was presented in the prior year financial statements as ZAR 152 656 587 in error. Resultant calculations increased outflow from operating activities by an amount of ZAR 2 347 539 to give a correct balance for cash and cash equivalent of ZAR 150 309 048.

#### Provisions

The Municipality adjusted the Landfill Site Rehabilitation provision retrospectively as the obligation arose in prior periods. This adjustment resulted in an additional expense of R1,065,593 in the comparative figures and a decrease of accumulated surplus as at 30 June 2014 by R12,572,610. The corresponding increase was in the provision amount under liabilities.

#### 37. Risk management

##### Financial risk management

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

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#### 37. Risk management (continued)

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Cash and Cash Equivalents	180,005,001	150,309,048

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

#### 38. Events after the reporting date

The outgoing council was by and large responsible for overseeing the financial transactions during the year and the production of the annual financial statements. Following the local government elections held on 3 August 2016, the councillors listed below were sworn into office on 16 August 2016. Accordingly, these are the councillors responsible for the final annual financial statements, report on performance management and any significant resolutions and judgements made in connection with these reporting statements.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

#### 38. Events after the reporting date (continued)

Councillor's Name	Swearing in Date
Cllr Baloyi Nyiko Nyumisani	16 Aug 2016
Cllr Chauke Masenyani Thomas	16 Aug 2016
Cllr Chauke Mukhacani Juring	16 Aug 2016
Cllr Hlungwani Mabandla Patrick	16 Aug 2016
Cllr Khosa Jabulani Samuel	16 Aug 2016
Cllr Khosa Masenyani Adoph	16 Aug 2016
Cllr Khosa Ringeta Sally	16 Aug 2016
Cllr Kubayi Seva Solomon	16 Aug 2016
Cllr Mabasa Gezani Noel	16 Aug 2016
Cllr Mabulana Peter Sello	16 Aug 2016
Cllr Madzunya Nhlamulo Mavis	16 Aug 2016
Cllr Mahlawule Soyaphi Calvin	16 Aug 2016
Cllr Makhubela Thandy	16 Aug 2016
Cllr Makhubele Hlupheka Winnie	16 Aug 2016
Cllr Makhubele Thankyou Mbhizo	16 Aug 2016
Cllr Maluleke Noel	16 Aug 2016
Cllr Maluleke Tinyiko Rose	16 Aug 2016
Cllr Malungana Elia	16 Aug 2016
Cllr Manganye Sevha Vusi	16 Aug 2016
Cllr Mashale Masenyani Richard	16 Aug 2016
Cllr Mashele Basani Ivy	16 Aug 2016
Cllr Mashimbye Dzuni Calvin	16 Aug 2016
Cllr Mashimbye Tiyani Loyd	16 Aug 2016
Cllr Mathevula Mthakathi Prince	16 Aug 2016
Cllr Mboweni Agrey Ernest	16 Aug 2016
Cllr Mhlongo Mashau Calvin	16 Aug 2016
Cllr Mkansi Xigiya Ben	16 Aug 2016
Cllr Mokgobi Phillip Thomane	16 Aug 2016
Cllr Mokoseni Fumani Clarence	16 Aug 2016
Cllr Mthombeni Amukelani Florah	16 Aug 2016
Cllr Mthombeni Siseka George	16 Aug 2016
Cllr Mthombeni Tsakani Noria	16 Aug 2016
Cllr Ndlovu Tiyani Lawrence	16 Aug 2016
Cllr Ngoveni Risimati Edward	16 Aug 2016
Cllr Rikhotso Hlayiseka Roger	16 Aug 2016
Cllr Rikhotso Risimati Christopher	16 Aug 2016
Cllr Sekgobela Reginah Ntsako	16 Aug 2016
Cllr Shibambu Basani Agnes	16 Aug 2016
Cllr Shimange Fazi Mikateko Irene	16 Aug 2016
Cllr Shivuri Daison Tinyiko	16 Aug 2016
Cllr Siweya Cynthia Masingita	16 Aug 2016

#### 39. Unauthorised expenditure

Unauthorised expenditure	13,137,141	-
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#### 40. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	7,574	73,370
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The amount for fruitless and wasteful expenditure disclosed is composed of interest and penalties for late payment on Eskom, Telkom, SARS, Auditor General and a contractor for the construction of the Homu Sports Centre.

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

#### 41. Irregular expenditure

Opening balance	23,948,322	19,467,717
Add: Irregular Expenditure - current year	2,141,430	4,480,605
Less: Amounts written off	(18,780,968)	-
	<b>7,308,784</b>	<b>23,948,322</b>

The irregular expenditure as disclosed came as a result to the municipality deviating from normal procurement processes. Expenditure amounting to R18 780 968 was written off during the year under review.

#### 42. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government - SALGA

Current year subscription / fee	66,250	75,430
Amount paid - current year	(66,250)	(75,430)
	-	-

##### Audit fees

Current year subscription / fee	3,087,760	3,292,039
Amount paid - current year	(3,087,760)	(3,292,039)
	-	-

##### PAYE and UIF

Current year subscription / fee	17,936,003	14,476,773
Amount paid - current year	(17,914,142)	(14,476,773)
	<b>21,861</b>	-

##### Pension and Medical Aid Deductions

Current year subscription / fee	13,763,638	14,967,058
Amount paid - current year	(13,764,138)	(14,967,058)
	<b>(500)</b>	-

# Greater Giyani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Baloyi T. E.	1,655	21,950	23,605
Makamu M. A.	-	821	821
Mhlongo W. W.	952	19,280	20,232
Shimange M. I.	418	15,032	15,450
	<b>3,025</b>	<b>57,083</b>	<b>60,108</b>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Baloyi T. E.	1,208	12,738	13,946
Makamu M. A.	821	1,804	2,625
Makhubele M. J.	90	5,153	5,243
Manganyi K. A.	625	13,164	13,789
Mhlongo W. W.	907	13,268	14,175
Shimange M. I.	672	11,053	11,725
Shivambu H. R.	344	-	344
	<b>4,667</b>	<b>57,180</b>	<b>61,847</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2016	Highest outstanding amount	Ageing (in days)
Baloyi T. E.	19,377	180
Mhlongo W. W.	17,816	180
Shimange M. I.	14,420	180
	<b>51,613</b>	<b>540</b>

30 June 2015	Highest outstanding amount	Ageing (in days)
Baloyi T. E.	9,434	180
Makamu M. A.	1,032	180
Makhubele M. J.	4,867	180
Manganyi K. A.	11,857	180
Mhlongo W. W.	11,666	180
Shimange M. I.	10,529	180
	<b>49,385</b>	<b>1,080</b>